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W102 – Integrating ERM Concepts to Help Reduce Improper Payments

Presentation by:
Daniel Flavin, Assistant Director, U.S. Government Accountability Office
FlavinD@gao.gov

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What Is An Improper Payment?

- Any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements.
- It includes any payment to an ineligible recipient, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), and any payment that does not account for credit for applicable discounts.
- When an executive agency's review is unable to discern whether a payment was proper because of insufficient or lack of documentation, this payment must also be included in the improper payment estimate.

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Types of Improper Payments

- Office of Management and Budget guidance (Appendix C to Circular A-123) describes four types of improper payments.

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Fiscal Year 2024 Reporting Highlights

- Reported estimates of improper payments total about $2.8 trillion since fiscal year 2003.

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Fiscal Year 2024 Reporting Highlights

- Agencies reported total estimated improper payments of **$162 billion** for FY 2024.
- Agencies reported estimates for **68 programs**, with **75 percent** of the total concentrated in just five program areas.

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Fiscal Year 2024 Reporting Highlights

- Of the **$162 billion** FY 2024 total, about $135 billion, or 84 percent, is attributable to overpayments.
- Eighteen federal programs reported improper payment rate estimates of at least 10 percent, including six programs whose rates exceeded 25 percent.
- There are several programs that agencies have assessed are susceptible to significant improper payments but have not reported estimates as required (e.g., **HHS's Temporary Assistance for Needy Families** program and the **SBA's Shuttered Venues Operators Grant** program).

Unknown payments – $12.6 billion
Underpayments – $7.9 billion
Technically improper payments – $5.9 billion
Overpayments – $135.2 billion

8%
5%
4%
84%

Source: GAO analysis of Office of Management and Budget PaymentAccuracy.gov data. | GAO-25-106172
Note: Percentages in the figure do not sum to 100 percent due to rounding.

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Polling Question 1

What do you consider to be a tolerable improper payment rate for a federal program?

- A. Zero percent
- B. Less than 5 percent
- C. Less than 10 percent
- D. It depends on the program

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What is Fraud?

Fraud

- Fraud involves obtaining a thing of value through willful misrepresentation. Fraud can sometimes involve benefits that do not result in direct financial loss to the government (such as passport fraud).

Source: Feng Yu/stock.adobe.com

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Existing Information on the Extent of Federal Fraud

- **CIGIE:** For fiscal years 2018 through 2022, CIGIE reported between $6.6 billion and $19.7 billion in potential savings from investigative recoveries and receivables. This amount includes ordered restitution, fines, and settlements from resolved criminal and civil cases.
- **OMB:** For fiscal years 2018 through 2022, OMB reported between $4.41 billion and $7.31 billion annually in confirmed fraud.
- **Other agencies:** Some agencies and OIGs have also issued studies that examine the extent of identified potential fraud in a limited number of programs, including studies in response to concerns about fraud impacting pandemic spending.
- **GAO:** Annual federal losses due to fraud are estimated to be between approximately $233 billion and $521 billion based on data from fiscal years 2018 through 2022.

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What GAO Has Observed Across Programs

- Programs with sustained reductions in improper payments share common characteristics
  - Clear accountability and governance structures
  - Targeted use of data and analytics
  - Continuous learning and adjustment

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Common Features of Successful Corrective Actions to Reduce Estimated Improper Payments (GAO-23-106585)

- June 2023 report examines programs with reported reductions in estimated improper payment rates since fiscal year 2017.
- Agencies attributed reductions to program-specific corrective actions as well as broader reduction efforts.
- These actions and efforts fell into two categories: (1) establish accountability and facilitate internal collaboration, and (2) address root causes using technology, tools, and training.

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IMPROPER PAYMENTS

Programs Reporting Reductions Had Taken Corrective Actions That Shared Common Features

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Common Features of Successful Corrective Actions to Reduce Estimated Improper Payments (GAO-23-106585)

1 Actions and efforts to establish accountability and facilitate internal collaboration

Example: Department of Veterans Affairs (VA)

- **Establish accountability:** VA's Veterans Health Administration (VHA) established program-level senior accountable officials to increase accountability and involvement of program offices in reducing improper payments. This included establishing compliance benchmarks for high-risk programs and setting goals for the senior accountable officials to meet Payment Integrity Information Act compliance by specified dates.

- **Facilitate internal collaboration:** VHA told us they established a payment integrity team that worked with subject matter experts to help address problems like documentation issues. They also held regular meetings, both with senior accountable officials and other agency managers, as well as contacts from VHA's regional healthcare networks.

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Common Features of Successful Corrective Actions to Reduce Estimated Improper Payments (GAO-23-106585)

2 Actions and efforts to provide technology, tools, and training to address root causes

Example: Federal Communications Commission (FCC)

- FCC attributed reductions in the Lifeline's estimated improper payment rate to the National Verifier system. Lifeline provides discounted phone and internet services to low-income consumers.

- Historically, service providers verified consumers' eligibility for Lifeline. This arrangement led to concerns about fraud and payment integrity in the program.

- The National Verifier uses a combination of automated and manual processes to verify eligibility. The system checks state and federal benefits systems, and there's also a manual component where consumers can submit documents to prove eligibility.

- National Verifier had database connections with 2 federal agencies (HUD and CMS) and 23 states (as of January 2022).

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Polling Question 2

In your view, who of the following knows the most about where an agency's improper payment and fraud risks reside?

A. The Chief Financial Officer
B. Program managers and staff
C. The Secretary or senior-most leader
D. The Inspector General

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Lessons Learned from Fraud in Pandemic-Era Relief Programs (GAO-25-107746)

- Forty-eight federal agencies distributed $4.5 trillion in response to the pandemic.
- In September 2023, we estimated that the fraud in DOL's UI programs during the pandemic—from April 2020 through May 2023—was likely between $100 billion and $135 billion.
- At least 19 different pandemic-relief programs were defrauded, likely in the range of hundreds of billions of dollars based on criminal fraud cases DOJ has publicized.

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Some Programs Were More Frequently Defrauded Than Others

95 percent of fraud cases where the defendant was found guilty involved just 3 programs:

1. the Paycheck Protection Program
2. COVID-19 Economic Injury Disaster Loan
3. Unemployment Insurance

These were defrauded either exclusively or in combination with each other or other pandemic-relief programs.

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Lessons Learned from Pandemic-Era Relief Programs

- Avoid self-certification on eligibility.
- Assume identity information has been compromised and develop and apply upfront controls to verify applicant identity.
- Leverage payment integrity services, as well as available program and agency data to verify application information.
- Address data interoperability issues.
- Ensure payment integrity checks and fraud controls are part of initial program design.
- Assess fraud risks to include cases affecting other similar programs.

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Actions for Agencies and Congress

- In March 2025, GAO testified on actions agencies and Congress can take to better manage improper payments and fraud risks (GAO-25-108172).
- These actions relate to (1) focusing on prevention, (2) conducting regular risk assessment and root cause analysis, (3) establishing accountability, (4) sharing data and using technology, and (5) preparing for the next emergency.
- GAO has also made recommendations to Congress to increase agencies' accountability over improper payments and fraud.

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Polling Question 3

How would you characterize your entity's ERM practice?

- A. Dormant
- B. Maturing
- C. Advanced
- D. What is ERM?

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Polling Question 4

My entity has sufficient resources (such as staff and funding) to conduct adequate improper payment and fraud risk management activities.

- A. Agree
- B. Disagree
- C. Unsure

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Internal Control and Enterprise Risk Management

Per the revised Green Book:

- **OV4.18** ERM is a strategic process applied across the entity designed to identify potential events that may affect the entity, manage risk, and provide reasonable assurance that an entity's objectives will be achieved. It is part of an entity's overall governance and accountability process and encompasses more than internal control.

- **OV4.19** Internal control is an integral part of ERM that focuses on achieving specific operations, reporting, and compliance objectives. The Green Book does not prescribe how management implements an ERM process.

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2025 Green Book Revision (GAO-25-107721)

- In May 2025, GAO released updated *Standards for Internal Control in the Federal Government* (aka, the Green Book).
- The update provides requirements, guidance, and resources to help managers better address risk areas related to fraud; improper payments; information security; and the implementation of new or substantially changed programs, including emergency assistance programs.

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Principle 7: Identify, Analyze, and Respond to Risks

Identify Risks (from 7.02):
- Management identifies risks throughout the entity on a periodic and ongoing basis to provide a basis for analyzing risks.
- Ongoing risk assessments are performed as needed, on a real-time basis, such as when significant internal or external change occurs or significant emerging risks are identified.
- Management also considers performing ongoing risk assessments when internal control deficiencies, improper payments, potential fraud, or information security breaches are identified.

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Principle 8: Assess Fraud, Improper Payment, and Information Security Risk

- GAO expanded this principle which now covers improper payments and information security risk, in addition to fraud risk.
- GAO also added risk factors that management may consider when assessing improper payment risk.
- Management considers existing improper payment estimates, if available, when determining the significance of risks and the effectiveness of the internal control system.
- Estimates may come from management's annual improper payment estimates as part of its monitoring activities. Management may also develop estimates more frequently than mandated by law, such as for programs that are new, substantially changed, or rapidly implemented to facilitate a timely risk assessment.

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Principle 8: Improper Payment Risk Factors

- Whether the program or activity is new to the entity.
- The complexity of the program or activity.
- The volume of payments made through the program or activity.
- Whether the payments or payment eligibility decisions are made through external parties.
- Recent major changes in program funding, legal authorities, practices, or procedures.
- The level and experience of and quality of training for personnel responsible for making payment eligibility determinations or verifying that payments made are accurate.
- The extent to which the entity relies on potential recipients self-certifying their own eligibility.
- Identified internal control deficiencies that might hinder accurate payment processing.
- Similarities to other programs or activities that have reported improper payment estimates or been deemed susceptible to significant improper payments.
- Improper payment estimates previously reported for the program or activity, or other indicator of potential susceptibility to improper payments.
- Whether the program or activity lacks the information or database to confirm eligibility or verify the accuracy of the payment.
- The risk of fraud related to the program or activity.

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Principle 9: Identify, Analyze and Respond to Change

Management develops and documents a change assessment process. The process includes steps for timely identifying risks related to significant change, which may include:

- the need to provide complex or different services quickly, which may result in increased risks overall, including those related to fraud, improper payments, information security, and noncompliance with applicable laws and regulations.

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Principle 9: Identify, Analyze and Respond to Change

Management's change assessment process includes considerations to facilitate its ability to quickly adapt the entity's internal control system and effectively respond to significant change once it occurs, such as the following:

- Identifying any existing control activities, policies and procedures, or other processes in existing or similar programs that could be leveraged or modified.
- Identifying preventive control activities that could be implemented prior to the distribution of program benefits, even if time or resources are constrained.
- Identifying monitoring and detective control activities that could be enhanced or performed more frequently if preventive controls to mitigate certain risks are not feasible.
- Considering lessons learned from past programs to inform future practices.
- Identifying and establishing data-sharing, data-matching, and data analytics opportunities, including considering known data access issues.

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Principle 10: Design Control Activities (fraud)

- Fraud-related control activities may include: data validation; supervisory approval; and supporting documentation to verify identify and eligibility before executive transactions.
- Management may use data analytics to identify trends and anomalies that indicate fraudulent activity.
- Management identifies and reports detected occurrences of potential fraud to the appropriate investigatory body and implements corrective actions, including payment or asset recovery, and disciplinary actions.

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Principle 10: Design Control Activities (improper payments)

- Improper-payment-related control activities may include verification of identity and eligibility requirements through data matching, data validation, supervisory approval, and obtaining supporting documentation before making payments.
- They may also include recovery audits and activities, such as postpayment reviews and data analytics to identify improper payments.
- Management designs activities to recover overpayments and report improper payment estimates to regulatory bodies and stakeholders as required.

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Managing Improper Payments Framework (GAO-23-105876)

- This framework provides Congress and federal agencies with an overall approach to preventing and reducing improper payments in emergency assistance programs.
- Can also be useful for managing improper payments in non–emergency assistance programs or during normal program operations.

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Thank you!

For more on GAO's work related to fraud and improper payments, see:
https://www.gao.gov/fraud-improper-payments

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